



0000049548

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2003 JUN 25 A 9:51

MARC SPITZER
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER
JEFF HATCH-MILLER
COMMISSIONER
MIKE GLEASON
COMMISSIONER

Arizona Corporation Commission

DOCKETED

JUN 25 2003

DOCKETED BY

CR

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF THE
ARIZONA ELECTRIC DIVISION OF CITIZENS
COMMUNICATIONS COMPANY TO CHANGE THE
CURRENT PURCHASED POWER AND FUEL
ADJUSTMENT CLAUSE RATE, TO ESTABLISH A
NEW PURCHASED POWER AND FUEL ADJUSTMENT
CLAUSE BANK, AND TO REQUEST APPROVED
GUIDELINES FOR THE RECOVERY OF COSTS
INCURRED IN CONNECTION WITH ENERGY RISK
MANAGEMENT INITIATIVES.

Docket No. E-01032C-00-0751

IN THE MATTER OF THE APPLICATION OF CITIZENS
COMMUNICATIONS COMPANY, ARIZONA GAS
DIVISION, FOR A HEARING TO DETERMINE THE
FAIR VALUE OF ITS PROPERTIES FOR
RATEMAKING PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN THEREON, AND
TO APPROVE RATE SCHEDULES DESIGNED TO
PROVIDE SUCH RATE OF RETURN.

Docket No. G-01032A-02-0598

IN THE MATTER OF THE JOINT APPLICATION OF
CITIZENS COMMUNICATIONS COMPANY AND
UNISOURCE ENERGY CORPORATION FOR THE
APPROVAL OF THE SALE OF CERTAIN ELECTRIC
UTILITY AND GAS UTILITY ASSETS IN ARIZONA,
THE TRANSFER OF CERTAIN CERTIFICATES OF
CONVENIENCE AND NECESSITY FROM CITIZENS
COMMUNICATIONS COMPANY TO UNISOURCE
ENERGY CORPORATION, THE APPROVAL OF THE
FINANCING FOR THE TRANSACTIONS AND OTHER
RELATED MATTERS.

Docket Nos. G-01032A-02-0914

E-01933A-02-0914 *

E-01032C-02-0914

**RUCO'S EXCEPTIONS TO THE
RECOMMENDED OPINION AND
ORDER**

1 **Do Not Reject a Tool to Ease Bill Impact of Settlement Merely Because It Involves**
2 **DSM**

3 The Settlement Agreement will result in rate increases of almost 21 percent for
4 Citizens' gas customers, and 22 percent for electric customers. Tr. at 537. Though
5 perhaps unavoidable, those increases are substantial. Exh. RUCO-1 at 8; Tr. at 549.
6 Therefore, the Residential Utility Consumer Office ("RUCO") recommended that the
7 Commission require additional investment in demand-side management ("DSM") programs
8 to provide additional tools for customers to mitigate the considerable rate increases of the
9 Settlement Agreement. The Recommended Opinion and Order ("RO&O") rejects RUCO's
10 recommendation for additional DSM investment, concluding "the better means of
11 addressing the issue of DSM is through a generic investigation of the costs and benefits of
12 such measures." RO&O, pg. 24. RUCO urges the Commission not to overlook the benefit
13 of its proposal merely because it involves DSM.

14 The RO&O refers to "the issue of DSM" when it concludes that consideration of
15 such an issue is best left to another proceeding. However, the issue is not DSM, but
16 mitigation of the impacts of the Settlement Agreement's rate increases. RUCO did not
17 propose additional DSM investment for the purpose of furthering many of the traditional
18 goals of DSM, such as decreasing the requirement to build generation and transmission,
19 and alleviating environmental impacts. Instead, RUCO's proposal was motivated to
20 achieve the economic benefits of customers reducing their bills, which would otherwise
21 increase significantly pursuant to the Settlement Agreement. Tr. at 577-578.

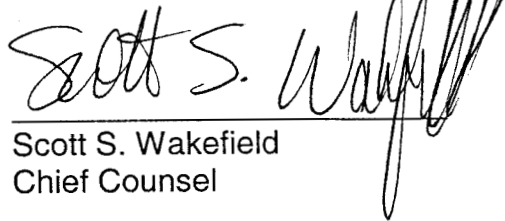
22 The Commission's broader policy examination into DSM will address such issues as
23 the process of competitively acquiring DSM and development of an environmental risk
24 management policy. Decision No. 65743 at 49. These issues go far beyond the rate

1 implications of the Settlement Agreement on customers in Santa Cruz and Mohave
2 Counties. Acquiring DSM through competitive bids is completely irrelevant to Citizens'
3 electric operations, as Citizens has a full requirements contract with Pinnacle West and
4 therefore will not be undertaking competitive bidding for the duration of that contract.
5 Further, the environmental risk management policy will consider the environmental
6 benefits of DSM, which is not the purpose of RUCO's proposal. RUCO is not asking for
7 additional DSM investment to achieve environmental benefits. Any such benefits are
8 merely "icing on the cake." Tr. at 577-578. The purpose of RUCO's proposal is to allow
9 Citizens' customers to alleviate the consequence of the Settlement Agreement on their
10 bills. Such a goal should not be delayed merely because the mechanism involves DSM.

11 In a sense, it is fortunate that the Settlement Agreement's increase for electric
12 customers is entirely embedded in the commodity rate. Exh. RUCO-1 at 9. As a
13 consequence, any decrease in consumption will decrease a customer's bill by more than
14 the amount of the rate increase per kwh. In fact, a 19 percent reduction in consumption
15 would hold an average residential customer harmless from the entire increase. *Id.*
16 Additional DSM investment can provide customers with the opportunity to mitigate some,
17 or all, of the impact of the electric rate increase. Tr. at 537.

18 The Commission should not reject RUCO's proposal to create additional resources
19 to ease customers' bill impacts from the Settlement Agreement merely because the
20 proposal involves DSM. The Commission should require Citizens to increase its DSM
21 expenditures so that customers can have additional devices to mitigate the impacts of the
22 Settlement Agreement on their monthly bills. A proposed amendment to the RO&O is
23 attached.

1 RESPECTFULLY SUBMITTED this 25th day of June, 2003.

2 
3 _____
4 Scott S. Wakefield
5 Chief Counsel

1 AN ORIGINAL AND
2 TWENTY-ONE COPIES
3 of the foregoing filed this 25th day of
4 June, 2003 with:

5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington
8 Phoenix, Arizona 85007

9 COPIES of the foregoing hand delivered/
10 mailed this 25th day of
11 June, 2003 to:

12 Dwight D. Nodes
13 Assistant Chief Administrative Law Judge
14 Hearing Division
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, AZ 85007

18 Christopher Kempley
19 Chief Counsel
20 Legal Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, AZ 85007

24 Ernest Johnson
Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

L. Russell Mitten
Citizens Communications Company
3 High Ridge Park
Stamford, CT 06905

Steven W. Cheifetz
Robert J. Metli
Cheifetz & Iannitelli, P.C.
3238 North 16th Street
Phoenix, AZ 85016

John D. Draghi
Susan Mikes Doherty
Huber, Lawrence & Abell
605 3rd Avenue
New York, NY 10158

John White
Deputy County Attorney
Mohave County Attorney's Office
PO Box 7000
Kingman, AZ 86402

Walter W. Meek
AUIA
2100 North Central Avenue
Suite 210
Phoenix, AZ 85004

Holly J. Hawn
Martha S. Chase
Santa Cruz Deputy County Attorneys
2150 North Congress Drive, Suite 201
Nogales, AZ 85621

Marshall Magruder
Lucy Magruder
PO Box 1267
Tubac, AZ 85646-1267

1 Gary Smith
Citizens Communications Company
2 2901 West Shamrell Blvd.
Suite 110
3 Flagstaff, AZ 86001

4 Raymond Mason
Director, Corporate Regulatory Affairs
3 High Ridge Park
5 Stamford, CT 06905

6 Deborah R. Scott
Citizens Communications Company
7 2901 North Central Avenue
Suite 1660
8 Phoenix, AZ 85012

9 Thomas H. Campbell
Michael T. Hallam
Lewis & Roca, LLP
10 40 North Central Avenue
Suite 1900
11 Phoenix, AZ 85004

12 Andrew Bettwy
Assistant General Counsel
13 Southwest Gas Corporation
5241 Spring Mountain Road
14 Las Vegas, NV 89150

15 Jose Machado, City Attorney
Hugh Holub, Attorney
City of Nogales
16 777 North Grand Avenue
Nogales, AZ 85621

17 Robert A. Taylor, City Attorney
City of Kingman
18 310 North 4th Street
Kingman, AZ 86401

20 Nicholas J. Enoch
Lubin & Enoch, P.C.
349 North 4th Avenue
21 Phoenix, AZ 85003

22 Marc Spitzer – Chairman
Arizona Corporation Commission
23 1200 West Washington
Phoenix, AZ 85007

24

Jim Irvin - Commissioner
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

William A. Mundell - Commissioner
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Jeff Hatch-Miller - Commissioner
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Mike Gleason - Commissioner
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Paul Walker
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Kevin Barlay
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Hercules Dellas
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Dean Miller
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Jodi Jerich
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

By 
Jennifer Rumph

1 **RUCO'S PROPOSED AMENDMENT**

2

3 Page 24

4 INSERT at line 8, after "(II).":

5 "The Settlement Agreement's increase for electric customers is entirely
6 embedded in the commodity rate. Therefore, any decrease in consumption
7 will decrease a customer's bill by more than the amount of the rate increase
8 per kwh. In fact, a 19 percent reduction in consumption would hold an
average residential customer harmless from the entire increase. (RUCO Exh.
1, at 9)."

9 DELETE lines 16-24

10 INSERT "While RUCO's DSM proposal could result in upward pressure on
11 customer *rates*, cost-effective DSM programs can reduce customer *bills*. Our
12 forthcoming workshop to develop a DSM acquisition process and an
13 environmental risk management policy will be addressing issues that go
14 beyond the bill impacts that are of great concern to the customers subject to
the Settlement Agreement. Therefore, because RUCO's proposal provides
an additional tool for customers to mitigate the impact of the Settlement on
their bills, we will require its adoption."

15 Page 28, line 24

16 INSERT after "Stipulation.":

17 "In addition, we adopt RUCO's recommendation for increased DSM funding."

18 Page 31, line 22

19 INSERT "IT IS FUTHER ORDERED that ElecCo shall increase funding for
20 demand side management programs as outlined in Appendix II to RUCO's
21 witness' testimony."
22
23
24